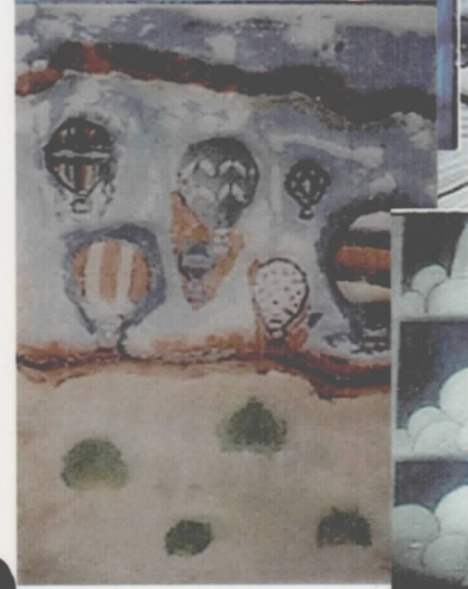
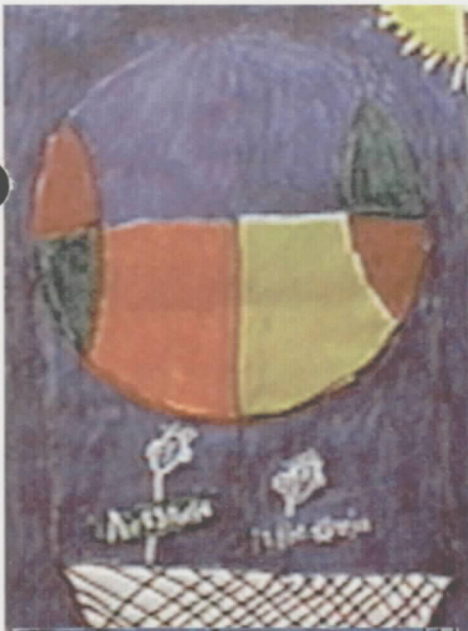


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AERONAUTICS DIVISION 1997-98 PROGRESS REPORT



ARIZONA DEPARTMENT OF TRANSPORTATION

Mission Statement

The mission of the Arizona Division of Aeronautics is to encourage and advance the safe and orderly development of aviation in the State.

The Purpose of the Arizona Aeronautics Division is to:

PROVIDE the citizens of Arizona a safe, balanced and integrated statewide aviation system to meet present and future needs.

REPRESENT the state of Arizona in planning, developing, maintaining and operating facilities for the efficient movement of people and goods by air throughout the state.

ADVOCATE aviation transportation policies consistent with the overall goals of the state; to enhance the sociological welfare; preserve natural resources and conserve available funding.

WORK cooperatively with all entities - public and private - to develop the means for multimodal mobility that will meet community needs as expressed through local planning, land use, patterns of commerce and public dialogue.

STRIVE to create and maintain a local state and federal climate that will make action programs and adequate funding available to achieve a level of aviation transportation capacity and quality necessary for Arizona's continued progress.

RESPOND to the needs of the public, including their need to know, understand and discuss the aviation transportation issues and developments of the day - and to be continually mindful of the tremendous importance of the mission the department has been given as a public trust.

ATTRACT the vital human resources required and reward performance excellence in order to bring the highest degree of professional and technical expertise to the aviation challenges of this state, supported by a meaningful affirmative action program which offers equal self-development opportunities for all.

IMPROVE and maintain internal systems, controls, and support services that can assure maximum productivity while using time, manpower, equipment and facilities at optimum efficiency.

ENCOURAGE innovative thinking and action directed toward management decisions, policy implementation, systems application and design, research, planning and aviation safety efforts.

Art work throughout this publication are from the 1998 State level winners of the International Aviation Art Contest. Sponsored by the state, National Aeronautic Association, National Association of State Aviation Officials, and Federal Aviation Administration, in cooperation with the Federal Aeronautique Internationale, to motivate and encourage young people of FAI-member nations to become more familiar with and participate in aeronautics, engineering and science.

Arizona Winners

Category I (Ages 6 – 9 years old)

1 st place	Alexis Cook	Madison Simis School
2 nd place	Rigoberto Jaimes	Creighton School
3 rd place	Amanda June Dick	Robins Elementary
Hon. Mention	Tristen Williams	Copper Rim Elem

Category II (Ages 10 – 13 years old)

1 st place	Jenny Bilsten	Martin Luther School
2 nd place	Kimberly Bergen	Eagles' Nest Intern Sch
3 rd place	Jimmy Tringali	Creighton School
Hon. Mention	Jessie Lane	Martin Luther School
Hon. Mention	Francisco Franco	Borman Middle School

Category III (Ages 14 – 17 years old)

1 st place	Gabe Bonfili	Taylor Junior High
2 nd place	Nicole Chandler	Liberty Traditional Sch
3 rd place	Talisha Alldredge	Taylor Junior High
Hon. Mention	Gabe Evans	Taylor Junior High

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HISTORY

The history of the Arizona Department of Transportation's Aeronautics Division began with the creation of the Arizona Aviation Authority in March of 1950. The Authority originally consisted of an unpaid board of five members serving three year terms. The primary purpose of the board was to advise the Governor and the legislature on aviation matters. In May of 1955, a director was appointed. The Authority started monthly publication of a newsletter in 1956, and an airmarking program to aid in cross-country navigation was initiated in 1958. In 1959, the Authority began to assist communities in developing airfields.

In 1962, the legislature created the Arizona Department of Aeronautics with a seven member board, and appropriated funds to assist in construction of a Grand Canyon Airport. Construction began in 1963, and the airport officially opened two years later.

In 1974, the Departments of Aeronautics, Highways, and Motor Vehicles were combined to form the present-day Arizona Department of Transportation.

Arizona's Aeronautics Directors

1955 - 1975 James Vercillino
1975 - 1975 John Burns
1975 - 1978 John Walters

1978 - 1987 Ascencion (Sonny) Najera
1987 - 1988 Jack Christopherson
1988 - Gary Adams

AUTHORITY AND RESPONSIBILITY

The Arizona Department of Transportation is composed of five divisions: Aeronautics, Highways, Transportation Planning, Motor Vehicles and Administrative Services. The Aeronautics Division is charged by state law to:

- Encourage and advance the safe and orderly development of aviation in the state
- Assemble and distribute, to the public, information relating to aviation
- Represent the state on issues of routing and rate schedules concerning airline traffic
- Accept federal and other monies for airport development or air navigation facilities
- Ensure that the Grand Canyon National Park Airport is operated and maintained

- License aircraft dealers
- Register non-airline aircraft within the state
- Make recommendations on legislative and policy issues

The Aeronautics Division, since June 1990, has been organized along functional lines of responsibility. The Division Director provides the overall direction to guide the Division's efforts. The Airport Development Program Administrator is responsible for Airport Development, Planning, and Air Service programs. The Aviation Services Program Administrator is responsible for Aviation Revenue/Aircraft Registration, Aviation Safety and Education, Administration, Fiscal Management, Legislative and Legal matters, and the Airports Loan programs. The organizational structure of the Division is shown in the chart below.

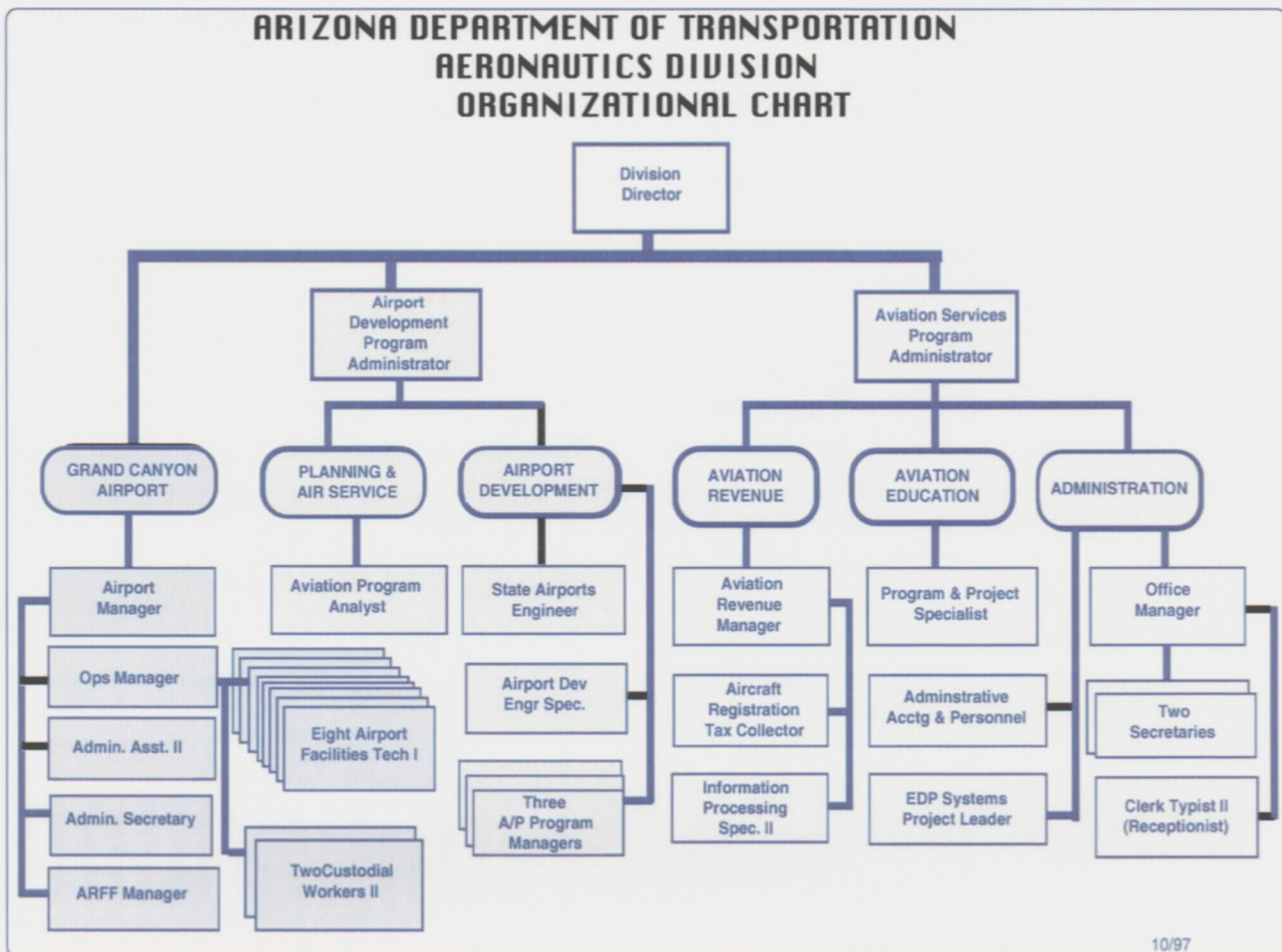


Figure 1

ARIZONA AIRPORT SYSTEM

Arizona's State Airport System directly connects the state's communities, and provides an essential link with the national systems of airspace and airports. It is considered desirable to provide the general public with no more than a thirty-minute driving time to a public use airport facility. In Arizona, there are 288 airports and 89 heliports registered with the Federal Aviation Administration (FAA). A primary system of 66 airports provides service to 90% of the population (see page 4). Of the 66 primary system airports, 47 are publicly owned, while 9 are Native American and 4 are privately owned.

Primary airports are those airports which meet the following criteria:

- Open to the public
- Ten or more based aircraft or at least 2,000 annual operations

- Scheduled air service by an air carrier or commuter airline on a regular basis
- Projections to meet any one of the above criteria within ten years

Arizona also has a system of secondary airports (see page 5). Secondary airports are typically the less heavily used general aviation airports serving smaller communities and rural areas.

Secondary airports are those airports which meet the following criteria:

- Open to the public
- Not included in the primary system

Of the facilities dedicated to helicopters, 84 of the 89 heliports or helistops currently listed by the FAA in Arizona are private-restricted facilities.

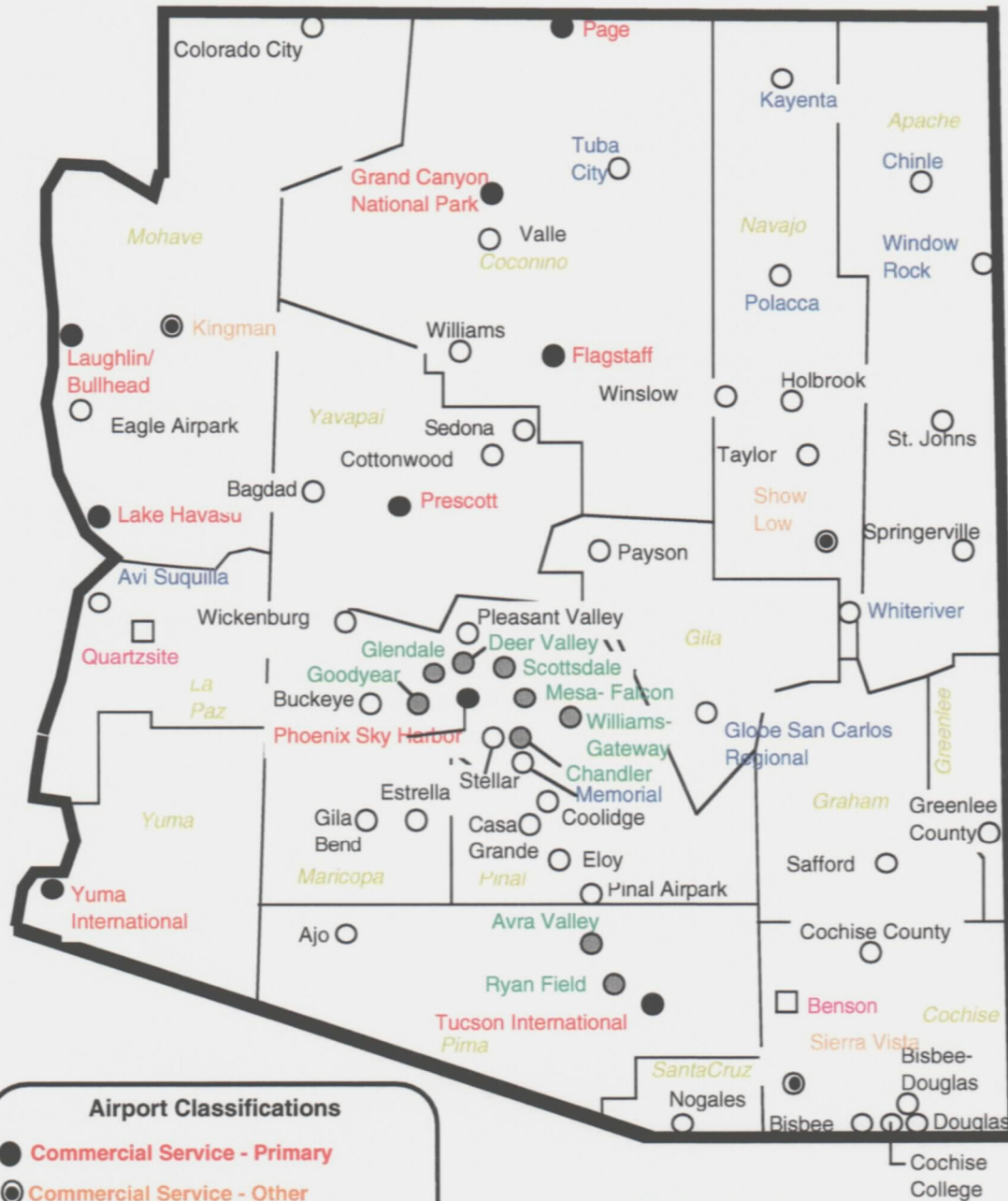
ARIZONA AIRPORT SYSTEM FACILITIES BY TYPE

	Primary	Secondary
Primary Commercial Service Airports served by scheduled airlines enplaning 10,000 or more passengers annually.	9	
Non-Primary Commercial Service Airports served by scheduled airlines enplaning 2500 or more passengers annually.	4	
Reliever Airports which relieve congestion at a commercial service airport and provide additional general aviation access to the community.	9	
General Aviation Airports used for general aviation purposes.	45	35
TOTAL SYSTEM AIRPORTS	66	35

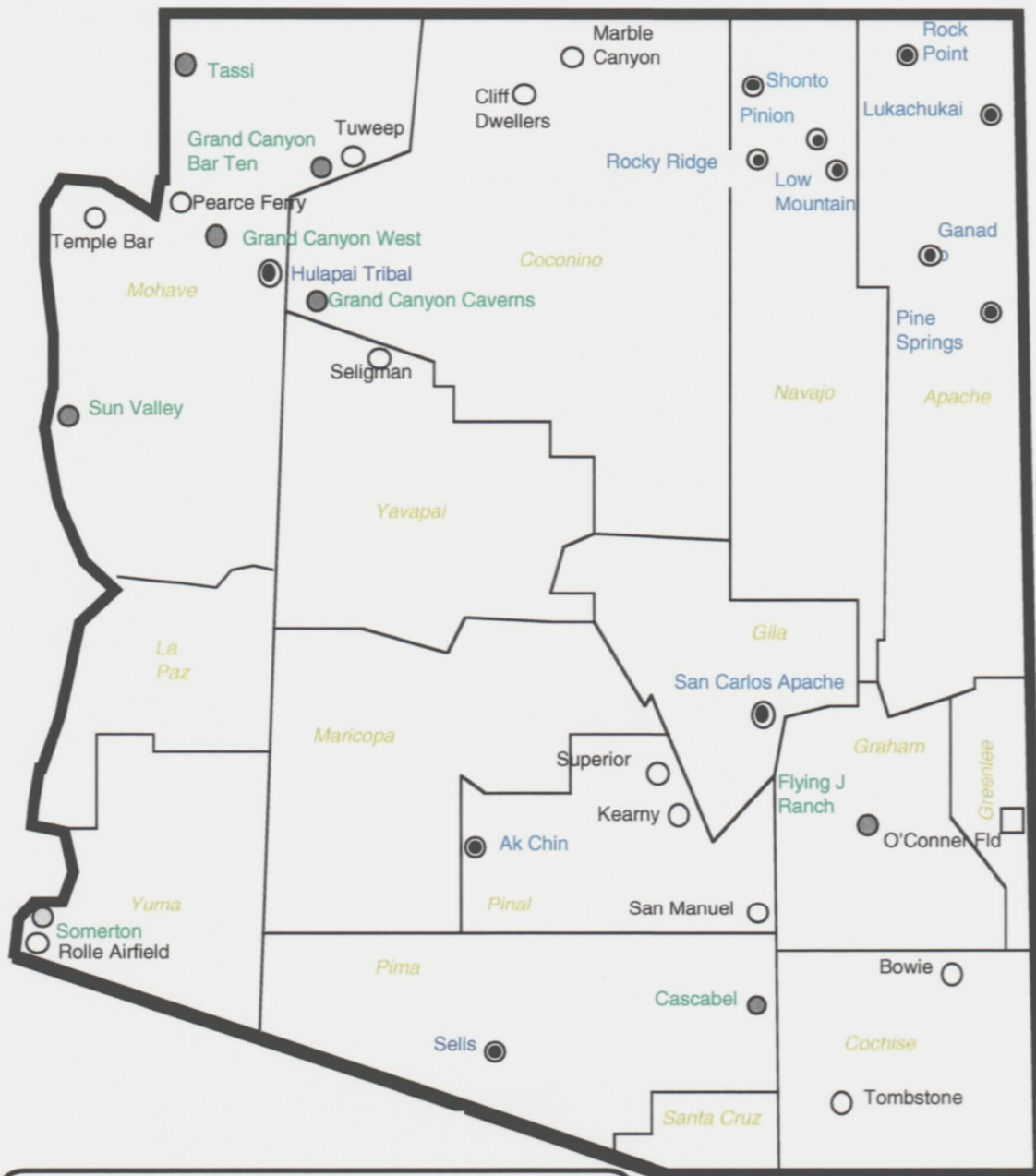
Table 1

State of Arizona

Primary Airport System



State of Arizona Secondary Airport System



Airport Ownership

○ Public ● Private ● Native American

□ Future Airport

Secondary System Definition: All public use facilities not in the State's Primary System.

FY 1998

Aeronautics Div. 10-98

Arizona Counties

AIRPORT DEVELOPMENT PROGRAM



Under the direction of the Airport Development Program Administrator, this program area has the following responsibilities:

- Administration of the Five Year Airport Development Program and reimbursement of sponsor expenses for eligible project items
- Technical support for airports and airport projects
- Engineering guidance for, and administration of, Grand Canyon National Park Airport construction
- Airport safety data inspections covering selected public airports
- Air Service and Aviation Programming/Planning

PROGRAMMING

The planning process for the Five Year Airport Development Program begins with an extensive evaluation of needs. Needs are prioritized among the airport categories, then included in a program consistent with criteria established by the State Transportation Board. Finally, projects are

evaluated and matched with anticipated funds to create a financially balanced program that optimizes use of available aviation dollars.

FUNDING

Airport construction and development funding in Arizona is accomplished through a cooperative effort involving federal, state, and local governments.

Federal funds are derived mainly from taxes on airline tickets and aviation fuel. This past fiscal year, the amount of Federal Airport Improvement Program funds allocated for Arizona airports was over \$47.8 million. Federal funds for Arizona, when viewed in dollars allocated, has fluctuated from year to year, but during the past five years, has remained relatively stable (see figure 2, page 7).

State funds come mainly from flight property tax, lieu taxes on aircraft, and aviation fuel taxes. These taxes are paid into the State Aviation Fund. In Arizona, aviation pays for itself, with no money coming from the state's general fund. Using funds from the State Aviation Fund, the Airport Development Program has increased dramatically over the past decade. State grant funds allocated have increased from \$3.9 million in FY 1986-87 to \$24.3 million in FY 1997-98 (see figure 3, page 7), an increase of over 623 percent from the beginning to the end of that ten year period.

At the local level, funds for airport construction and development may come from several sources: general fund contributions, revenue from general obligation bonds, user taxes, revenues from airport leases, and concessions. Currently, the local sponsor must provide a matching share of 4.47 percent on federal/state/local projects and a ten percent share on state/local projects. Even with a matching share of only 4.47 or 10 percent, many smaller communities find it difficult to meet this requirement, given the size and extent of the projects necessary to adequately address the needs of their local airport.

FAA Grant Funds Allocated in Arizona

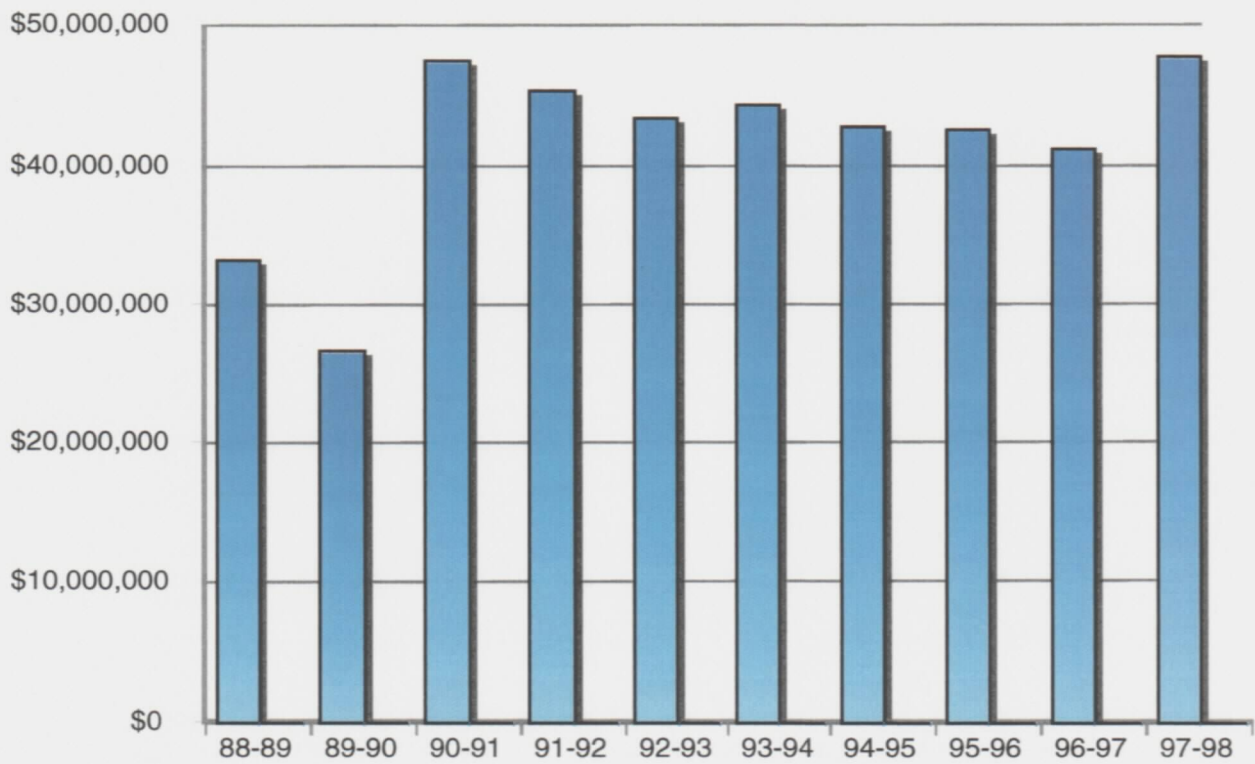


Figure 2

State Airport Funds Allocated

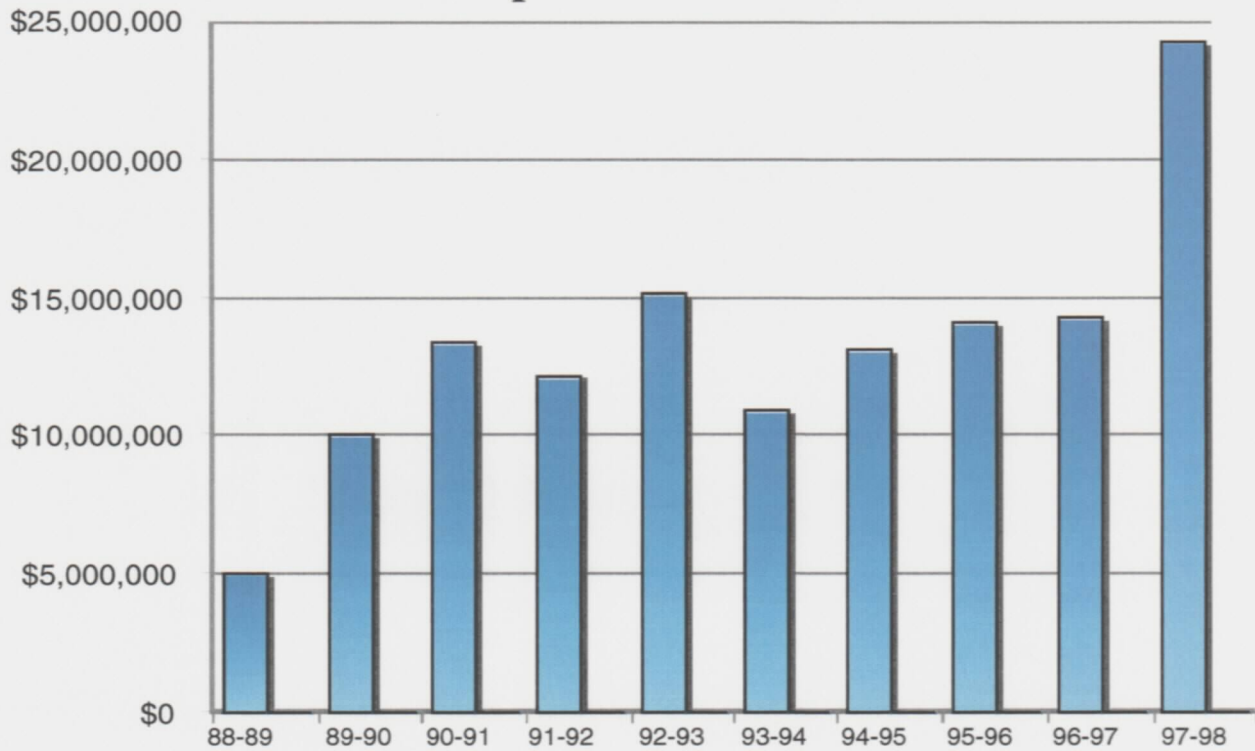


Figure 3

PROJECT ADMINISTRATION

Airport projects funded through the Five Year Airport Development Program are subjected to technical review and monitoring from design through the construction and audit processes.

During the design phase, the Airport Development staff assists sponsors in evaluating and interpreting design criteria. Additional assistance is rendered by reviewing engineering agreements, plans, specifications and contract documents for compliance with state funding requirements.

As the project progresses through the construction phase, the staff reviews bid tabulations, performs field reviews of work during construction, reviews field and laboratory procedures/test results, and analyzes and approves change orders.

At the conclusion of the project, a final inspection is performed. As-built plans and certified quantities are required before final payment is made.

Approximately one-third of the projects are audited to ensure compliance with contractual requirements. The number of airport projects completed have increased from 30 in fiscal year 96-97 to 62 completed projects during fiscal year 97-98.

TECHNICAL ASSISTANCE

The Airport Development staff provides technical support to assure quality construction, optimize construction costs, streamline administrative procedures, and assist local officials in the development of their airport facilities in a cost-effective manner.

The Airport Development staff also provides technical support for special aeronautical studies and for the development of airport plans.

Local airport sponsors may, at any time, receive technical comments and operational guidance concerning improvements or development of their airports.

Completed Airport Development Projects

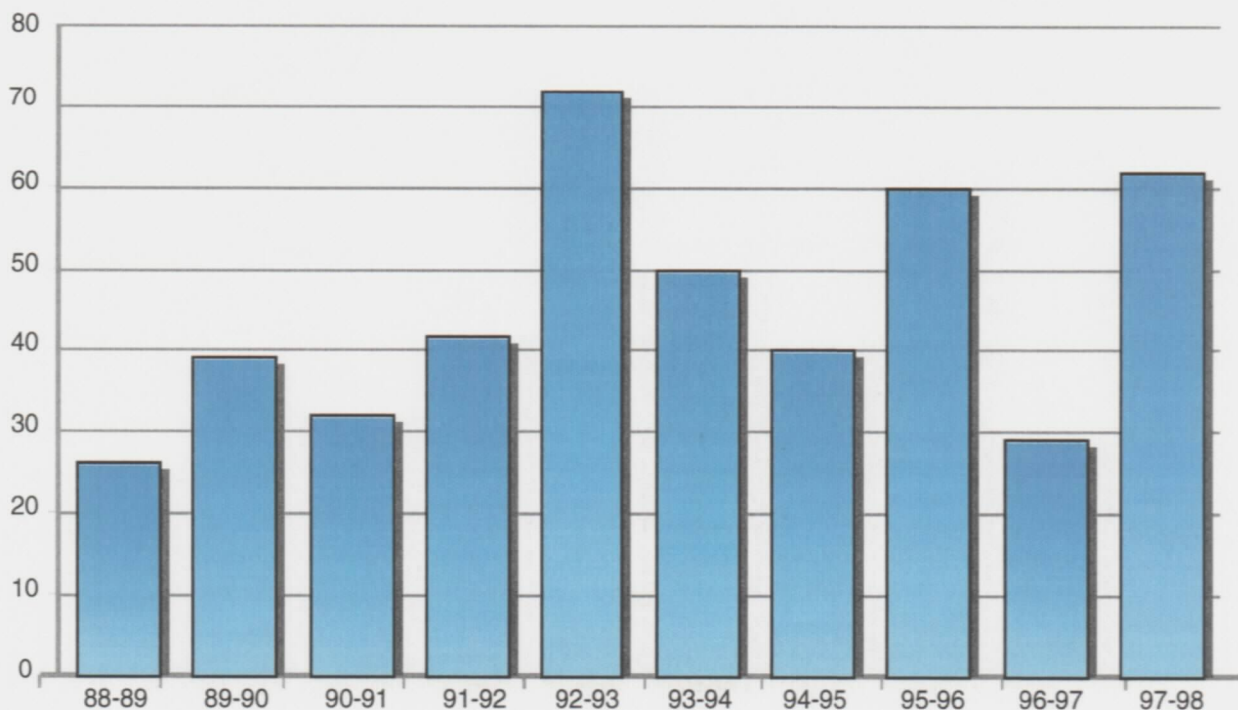


Figure 4

The airport sponsor's administrative burden is being reduced through policies developed by the Airport Development Section. Whenever possible, reporting forms and other documents already required by the federal government are also used for state purposes, helping reduce the amount of man-hours necessary to comply with reporting requirements.

AIRPORT SAFETY INSPECTIONS

During the past year, the Airport Safety Inspection Team visited more than fifty Arizona airports. The team conducted inspections of public use airfield facilities and conditions for the FAA's Airport Safety Data Program.

The objectives of the Airport Safety Data Program are: to promote airport safety through contact with airport management; to identify and report safety conditions at airports; and to make safety recommendations to correct deficiencies.

The Airport Safety Data Program also provides airport information for: the federal government's Airport Facility Directory (AFD); the FAA's airport data base; and for publishers of aeronautical charts and airport guides.

GRAND CANYON NATIONAL PARK AIRPORT ENGINEERING

The Airport Development Program is also responsible for engineering and the administration of construction projects at the state-owned Grand Canyon National Park Airport. All funding, payment and project authorizations are processed through Airport Development. Consulting firms, under the direction of the Airport Development Engineering Team, have designed both airside and landside airport infrastructure improvements.

All engineering phases of construction work undertaken at the Grand Canyon Airport are either performed directly by this office or performed by consultant engineers under the supervision of the Airport Development Section. Current projects for the Grand Canyon National Park Airport include: runway and taxiway rehabilitation and reconstruction of all aircraft parking aprons. In addition, a multi phased project for the airports water supply/distribution systems continue



AIR SERVICE AND AVIATION PROGRAMMING/PLANNING

The Aviation Planning Section assists in developing strategies and programs to encourage and advance the safe and orderly long-term development of Arizona's aviation system. This requires ongoing monitoring of system deficiencies, strengths and future demands. To accomplish this goal, the Division maintains a Continuous Planning Process (CPP) for the system. Elements of the CPP include: analysis of current aviation activities for airports in the system, forecasts of future demand on the system, and the ability of the system to meet those needs. Another segment of the CPP includes a Pavement Management System (PMS), used to determine the health of airport pavements and prioritize maintenance and replacement activities.

Division staff continues to support and participate in the regional aviation system planning activities of the Maricopa Association of Governments (MAG) and the Pima Association of Governments (PAG). Staff incorporates these regional studies into the state aviation plan, ensuring proper dovetailing of findings.

Statewide Studies

Periodically, special studies are conducted to analyze new technologies that become available to the aviation community or specific statewide issues.

During the past year, the Division had the three major aviation studies in process. The Arizona Navigational Aids and Service Study was nearing completion at the end of the year and will be published early next fiscal year. Up to the time of publication, the study has determined that the State should employ Global Positioning Systems (GPS) instrument approach procedures to as many public airports as possible. The study has recommended precision instrument approach procedures (minimums of 1/2 of mile or less visibility) to all commercial service and reliever airports. Where it is practical and feasible, the study further recommends providing an instrument approach procedure (visibility minimums of 3/4 of a mile or



greater). To be determined are the compilation of the actual navigational needs over a ten-year period (1997-2007), the total cost of funding the additional requirements and the prioritization of projects and/or equipment acquisition.

The Economic Impact of Aviation in Arizona Study was designed to take a more in-depth analysis of the economic impacts of aviation in the State as well as at the County level. To assist airports in promoting aviation at the local level, the study also would review the economic impacts of individual airports in the State. Although the Study was not complete at the time of publication, the analysis of the total aviation impacts within the State had been compiled. Table 5 illustrates the 1997-98 economic impacts of aviation in the State of Arizona,

Shortly before the end of the year, the Division initiated the Arizona Air Service Study of Rural Arizona. This study will evaluate the Essential Air Service program in the State and analyze potential methods to encourage airlines to provide scheduled air service to rural communities. The study will also review potential city-pair air service between Arizona cities and similar cities in New Mexico, Nevada, California and Colorado. The study will provide an objective look at the potential for a community to attract an airline, the limitations and opportunities available at each community to formulate a plan and/or action steps to attract air service. The study is scheduled for completion at the end of 1998.

The Aviation Fund Management Program, a project to improve the management of the Aviation Fund, was initiated at midpoint in the fiscal year. The purpose of this project was to provide the Division with more accurate accounting of cash flow and improve the responsiveness of the Division to airport sponsor's requests and changes. This project was part of a total Division effort to reduce paperwork, improve guidelines for and align the grant process with the sponsor's budget schedule in order to expedite the grant process. At the end of the year, a computer program was designed and historical data entered into the software. The remaining elements to be completed are the integration of revenue module into the software and testing the forecast module. It is anticipated that this management system will be operational by the middle of next year.

A number of other studies are planned in the coming year: An update of the State's Aviation Needs Study which will include an inventory of assets, forecasts of aviation activity, and a financial analysis of the funds needed to meet the State's general and specific requirements; an update of the Arizona Recreational Airport Study; and an update of the Grand Canyon National Park Airport Master Plan.

Airport Specific Studies

The planning staff establishes guidelines and procedures, in conjunction with the FAA, for individual airport planning. Airport specific studies for proposed airport projects include:

- Site Selection Studies
- Airport Master Plans
- Airport Noise Studies
- Environmental Assessment Studies

Projects completed last year include Airport Master Plans for: Bisbee-Douglas International, Cochise County, Glendale Municipal, Payson Municipal, Winslow-Lindbergh, Whiteriver Apache, and Grand Canyon West airports. Airport Layout Plans approved by the FAA during the year include: Gila Bend Municipal, Globe San Carlos Regional, Avi Suquilla, Grand Canyon National Park Airport, Williams-Gateway, Avra Valley Municipal, Casa Grande Municipal, Coolidge Municipal, Bisbee-Douglas, and Grand Canyon West. Other recently completed projects: Site Selection and Feasibility Study for Cordes Lakes; and Environmental Assessments for Cordes Lakes and H.A. Clark Airfield.

TOTAL ECONOMIC IMPACT OF AVIATION IN ARIZONA

	EMPLOYMENT	PAYROLL (in Millions)	ECONOMIC ACTIVITY (in Millions)
Commercial Aviation	29,432	884.1	3,621.3
General Aviation	10,594	298.6	998.1
Aviation Education	1,324	37.7	67.3
Air Travelers	77,153	1,182.8	4,549.1
Aerospace Manufacturing	29,936	1,364.3	4,433.4
Military Aviation	<u>21,886</u>	<u>570.0</u>	<u>1,345.7</u>
TOTAL	167,325	4,337.5	15,014.9

Table 2

GRAND CANYON NATIONAL PARK AIRPORT

The Aeronautics Division is responsible for the maintenance, operation and improvements of the only active state-owned airport in Arizona, the Grand Canyon National Park Airport.

The Grand Canyon National Park Airport is located in Tusayan, seven miles from the south rim. The present day facility incorporates the site of the first official Grand Canyon airport, a landing field authorized by the U.S. Forest Service for commercial flights in 1925. The Arizona Department of Aeronautics was instrumental in the acquisition and construction of the airport. The Grand Canyon National Park Airport was originally constructed with funds from the Department of Interior, the Federal Aviation Administration and the state of Arizona. The new airport first

opened for business in October, 1965. The airport terminal was completed and formally dedicated on October 20, 1967.

Today, the airport is the third most active air carrier airport in the state following Phoenix Sky Harbor International Airport and Tucson International Airport. The airport is served by over 40 air taxi and commuter carriers. For fiscal year 1997-98, Grand Canyon National Park Airport annual aircraft operations totaled 194,615 with 1,231,050 passengers enplaned and deplaned.

During FY 98 the Aeronautics Division completed: a multi phased project for the airport's water supply/distribution systems; runway and taxiway rehabilitation; and reconstruction of all aircraft parking aprons.



**GRAND CANYON NATIONAL PARK AIRPORT
REVENUE AND EXPENDITURES
AIRCRAFT OPERATIONS AND PASSENGERS ENPLANED**

	1993-94	1994-95	1995-96	1996-97	1997-98
REVENUE	\$1,211,227	\$1,364,000	\$1,401,357	\$1,490,138	\$1,340,539
Percent Change	32.5%	12.6%	2.7%	6.3%	-11%
	=====	=====	=====	=====	=====
EXPENDITURES					
ADMINISTRATIVE					
Full Time Employees	15	15	15	15	15
Personal Services	\$282,761	\$313,063	\$319,765	\$312,967	\$335,107
Employee Related Expenses	\$94,300	\$97,096	\$96,939	\$93,286	\$97,029
Professional Services	\$850	\$0	\$2,394	\$0	\$0
Travel	\$5,518	\$7,804	\$5,242	\$3,385	\$3,415
Other Operating Expenses	\$216,434	\$240,870	\$254,859	\$267,700	\$243,475
Non-Capital Equipment	-	-	-	-	\$1,592
Capital Equipment	\$0	\$5,500	\$0	\$0	\$0
TOTAL ADMINISTRATIVE	\$599,863	\$664,333	\$679,199	\$677,338	\$680,618
Percent Change	-1.6%	10.7%	2.24%	-0.28%	0.48%
CAPITAL IMPROVEMENT EXPENDITURES (State \$)	<u>\$6,865,727</u>	<u>\$1,215,900</u>	<u>\$703,164</u>	<u>\$781,646</u>	<u>\$3,424,611</u>
TOTAL EXPENDITURES	<u>\$7,465,590</u>	<u>\$1,880,233</u>	<u>\$1,382,363</u>	<u>\$1,458,984</u>	<u>\$4,105,229</u>
	=====	=====	=====	=====	=====
NET INCOME (LOSS)	(\$6,254,363)	(\$516,233)	\$18,994	\$31,154	(\$2,764,690)
AIRCRAFT OPERATIONS	188,124	183,239	204,920	194,615	190,442
Percent Change	6.8%	-2.6%	11.8%	-6%	-2.2%
PASSENGERS ENPLANED/ DEPLANED - Percent Change	1,069,755 8.4%	1,059,139 -1%	1,241,589 17.2%	1,231,050 -0.9%	1,200,892 -2.5%

Source: Aeronautics Division, Arizona Department of Transportation -- Unaudited Financial Records

Table 3

AVIATION SERVICES PROGRAM



The Division Director, the Program Administrators for Airport Development and Aviation Services, and the Grand Canyon Airport Manager make up the Aeronautics Division's management team. The management team plans, establishes, and implements the overall policy direction for the Division. For the purposes of this report, the management team's activities are included here under Aviation Services.

The Division Director has taken an active role in representing the state of Arizona in local, as well as national forums concerning important aviation matters. Over several years, the Division Director has been deeply involved in several aviation issues of national significance: airspace issues at national parks; federal Airport Improvement Program (AIP) funding; and air tour industry safety.

The Division Director is active in the National Association of State Aviation Officials (NASAO). NASAO is made up of, and represents the state government aviation agencies in all 50 states and Puerto Rico and Guam. NASAO was formed in 1930 with a primary mission of encouraging cooperation and mutual aid between the states and federal and local governments and to develop a state and national air transportation system that is responsive to regional, state, and national needs. Division Director, Gary Adams, fiscal year 96-97

was recognized by the Arizona Airports Association (AzAA) for his many years of work dedicated to the improvement of airports in Arizona. He was awarded with the first-ever *Arizona Airports Association's Award of Distinction for Exemplary Service to Arizona's Airports*.

AVIATION SERVICES

Under the direction of the Aviation Services Program Administrator, this program area has the following responsibilities:

- Aviation safety and educational programs
- Administer the aircraft registration process, collect aviation revenue, and license aircraft dealers
- Administer the Airport Loan Program
- Administration of the Grand Canyon National Park Airport
- Fiscal Management
- Contract, Legal and Legislative Issues
- Provide administrative services and support for the Aeronautics Division

ADMINISTRATION

Administration provides a myriad number of functions and services for the Division. The administrative function is responsible for secretarial and clerical support, records management, and personnel services. The Section is continually involved with a wide spectrum of aviation issues.

The Aviation Services Program Administrator is the Division's legislative liaison, directly responsible for review and comments on legal and regulatory matters, as well as the communication of the Division's views to the legislative branch. In addition, the Aviation Services Program Administrator is responsible for the preparation of

**AERONAUTICS DIVISION
ADMINISTRATION
REVENUE AND EXPENDITURES**

	1993-94	1994-95	1995-96	1996-97	1997-98
<u>REVENUE</u>					
Flight Property Tax	\$12,278,607	\$13,783,627	\$18,564,298	\$17,679,764	* \$7,582,939
Aviation Fuel Tax	\$690,752	\$254,630	\$512,328	\$514,687	\$485,333
Aircraft Lieu Tax	\$1,473,081	\$1,517,470	\$1,793,314	\$1,852,090	\$2,066,492
Aircraft Registration Fees	\$26,420	\$24,665	\$25,395	\$28,215	\$30,360
Airport Loans - Interest			\$107,263	\$133,835	\$332,768
Airport Loans - Principal			\$343,802	\$320,865	\$404,170
Miscellaneous & Investments	<u>\$1,080,365</u>	<u>\$1,410,326</u>	<u>\$1,895,329</u>	<u>\$2,613,848</u>	<u>\$2,507,355</u>
TOTAL REVENUE	\$15,549,225	\$16,990,718	\$23,241,729	\$23,143,304	\$13,409,417
Percent Change	7.3%	9.3%	36.8%	0.43%	- 43%
	=====	=====	=====	=====	=====
<u>EXPENDITURES</u>					
<u>ADMINISTRATIVE</u>					
Full Time Employees	18	18	18	18	18
Personal Services	\$435,573	\$442,962	\$397,799	\$403,475	\$449,369
Employee Related Expenses	\$90,457	\$103,159	\$93,316	\$90,730	\$89,291
Professional Services	\$12,072	\$79,688	\$49,394	\$12,567	\$682
Travel In-State	\$20,074	\$17,812	\$16,227	\$15,964	\$18,936
Travel Out-of-State	\$8,550	\$12,677	\$12,541	\$15,578	\$14,142
Other Operating Expenses	\$138,637	\$114,314	\$158,065	\$165,874	\$287,209
Non-Capital Equipment	-	-	-	-	\$9,359
Capital Equipment	\$0	\$32,968	\$0	\$42,792	\$62,038
Reimburse Highway Fund	<u>\$9,145</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL ADMINISTRATIVE	\$714,508	\$803,580	\$727,342	\$746,980	\$931,026
Percent Change	-1.5%	12.5%	-9.5%	+2.7%	+24.6%
<u>AIRPORT LOAN PROG.</u>					
Revenue Generating			\$3,250,000	\$972,000	\$0
Grant Advance			<u>\$1,700,000</u>	<u>\$7,333,000</u>	<u>\$1,750,000</u>
TOTAL AIRPORT LOANS			\$4,950,000	\$8,305,000	\$1,750,000
<u>AIRPORT DEVELOPMENT</u>					
EXPENDITURES (State \$)	<u>\$12,200,261</u>	<u>\$7,364,014</u>	<u>\$8,567,890</u>	<u>\$10,934,008</u>	<u>\$16,079,749</u>
TOTAL EXPENDITURES	<u>\$12,914,769</u>	<u>\$8,167,594</u>	<u>\$14,245,232</u>	<u>\$19,985,988</u>	<u>\$18,760,775</u>
<u>NET INCOME (LOSS)</u>	\$2,634,456	\$8,823,124	\$8,996,497	\$3,157,316	(\$5,351,358)

* Decrease in revenue reflects new legislation which decreased the amount of Flight Property Tax revenue deposited into the Aviation Fund from 100% to 50%. The other 50% is now deposited into the State's General Fund.

Source: Aeronautics Division, Arizona Department of Transportation --Unaudited Financial Records

Table 4

budgets, the design and use of accounting and fiscal controls, general management policy, and the preparation and management of all contracts. The Aviation Services Program Administrator is also responsible for the administration and coordination of: the Arizona Airport of the Year Program and Award; the Aviation Education Week Program; and the state's portion of the International Aviation Art Contest. The 1998 Airport of the Year was awarded to Yuma International Airport.

Annually, the state legislature reviews and approves an administrative budget from the State Aviation Fund, for the Aeronautics Division. A portion of the budget is designated for Aeronautics Division operations with the remainder earmarked for airport construction and development. The State Transportation Board, through public hearings and a priority rating system, approves individual airport construction projects as published in the Five-Year Airport and Highway Construction Program. (See Airport Development Section for details.)

In fiscal years 1992 through 98, the state's Airport Development Grant Program was supplemented by the Airports Loan Program. The Airport Loan Program, which is coordinated and administered by the Aviation Services Program Administrator, offers loans for revenue generating improvements to airports. Priority has been placed on projects such as: hangers, terminals and fuel farms. During FY 98, loans totaling approx. \$8.3 million were provided to Arizona airports.

AVIATION REVENUE

The Aviation Revenue Section is responsible for:

- The collection of general aviation aircraft registration fees and lieu tax
- The monitoring, forecasting and assisting in the collection of other revenues for the State Aviation Fund
- The licensing of aircraft dealers

The Aviation Revenue Section is also responsible

for the collection, monitoring, and assisting in forecasting State Aviation Fund revenues. The State Aviation Fund receives revenue from a variety of sources including:

- Flight property taxes levied on scheduled airline aircraft
- Aviation fuel taxes
- Aircraft lieu tax and registration fees on non-airline aircraft
- Revenues from the operation of the Grand Canyon National Park Airport
- Interest from the Airports Loan Program
- Interest income on aviation funds on deposit

State Aviation Fund revenues collected are deposited in the State Aviation Fund and can only be used for the construction, development, and improvement of publicly-owned airports throughout the state.

The Aviation Revenue Section works closely with various law enforcement agencies. The Division's records are useful in determining true ownership as well as historical background of an aircraft. Some of the agencies which use aircraft registration

CALENDAR YEAR 1997

AIRCRAFT REGISTERED: 5,538

LANDPLANE	3,891
HM BLT/EXPERIMENTAL	451
ROTORCRAFT	149
BALLOON	155
GLIDER	108
AGRICULTURAL	59
MILITARY SURPLUS	55
ANTIQUE	68
CLASSIC/WARBIRD	602

Table 5

information include the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Department of Public Safety (DPS), Internal Revenue Service (IRS), National Narcotics Border Interdiction System (NNBIS), sheriff's offices and city police departments. The on-line records system has been very beneficial to law enforcement agencies. The Aviation Revenue section also works with other federal, state and local governments such as the Federal Aviation Administration (FAA), Department of Revenue, Emergency Medical Services, Arizona Corporation Commission, Industrial Commission of Arizona and the Department of Economic Security.

Aircraft registration information is available to consultants, engineering firms and various planning groups for airports planning as well as for forecasting purposes. Registration information is also made available to airports to assist in identifying aircraft and owners.

In 1995, House Bill 2112 of the 42nd Legislature was passed. This Bill redefined the criteria for the abandoned aircraft category and made other changes that allow for additional customer service improvements to the aircraft registration statutes. These changes are customer-friendly and clarify aircraft registration requirements and processes.

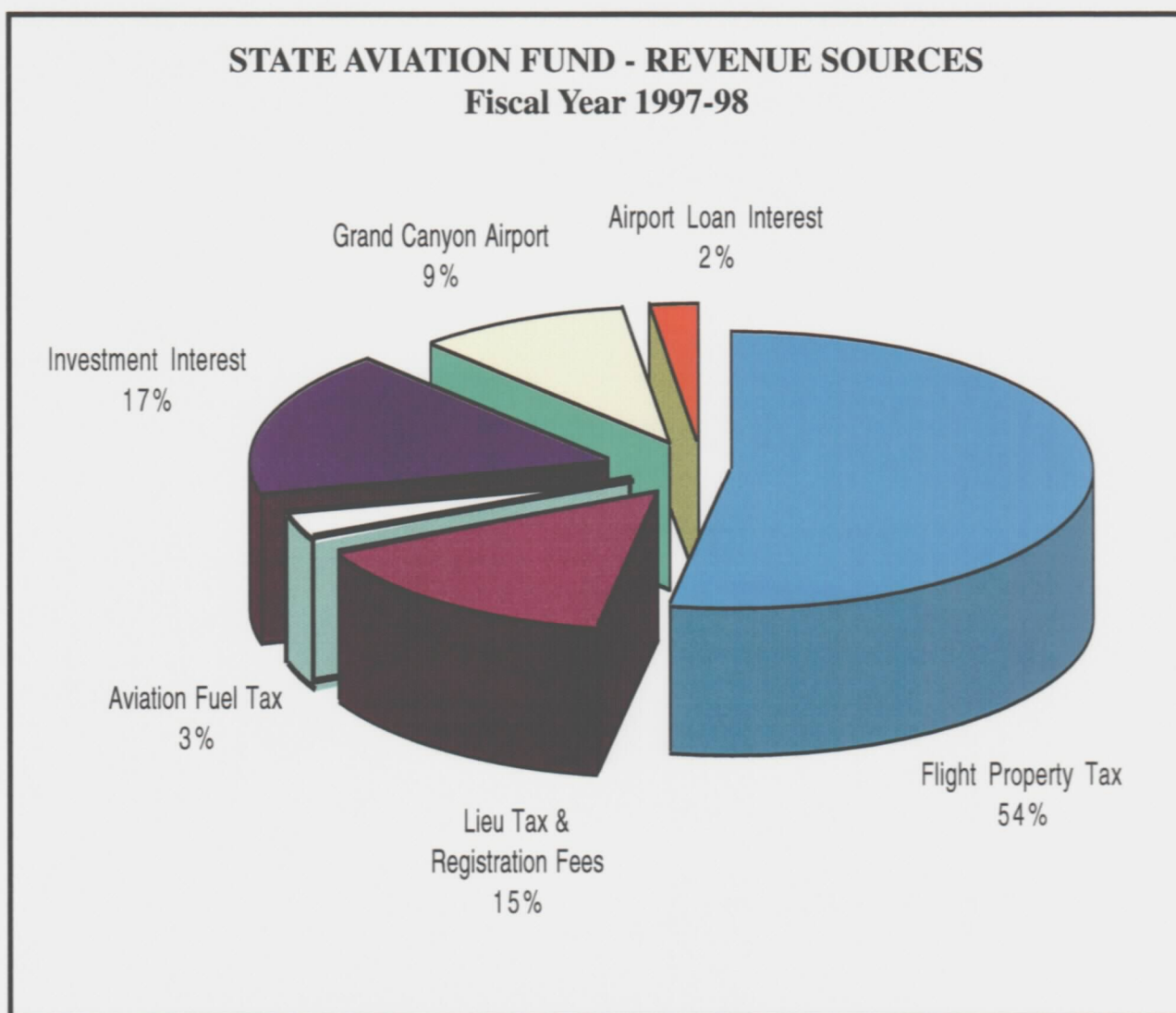


Figure 5

Fiscal Year Lieu Tax and Registration Fees

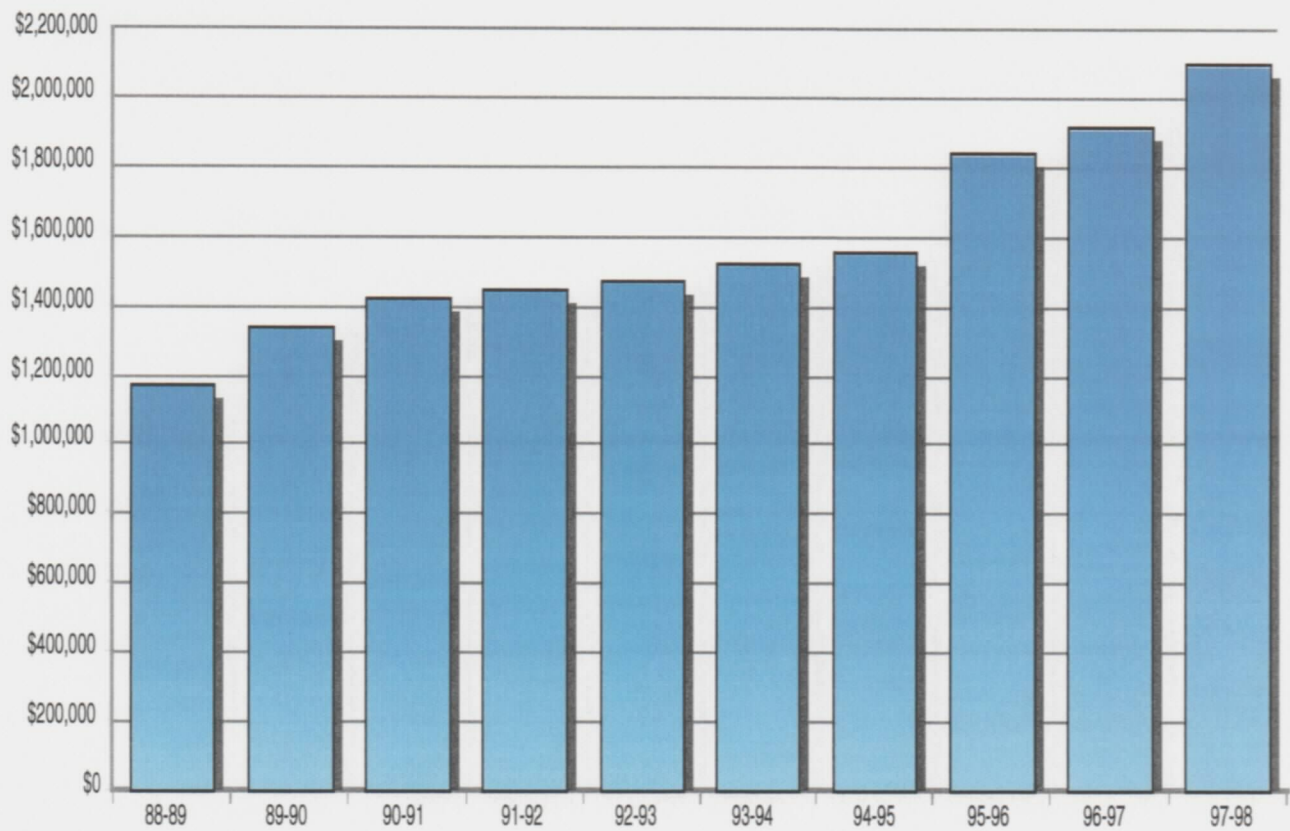


Figure 6

Calendar Year - Number of Aircraft Registered in Arizona

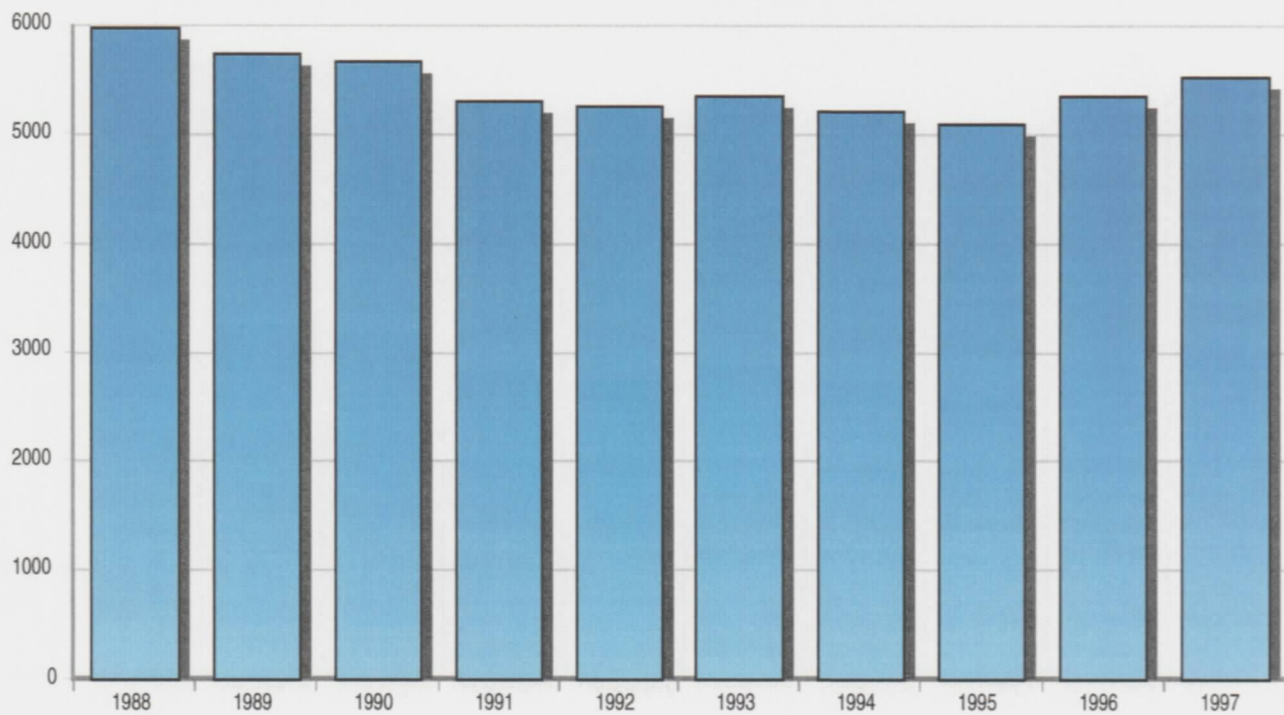


Figure 7

AIRCRAFT REGISTRATION DATA

FISCAL YEARS	AIRCRAFT ⁽¹⁾ REGISTERED	AIRCRAFT LIEU TAX	AIRCRAFT REG. FEE	PENALTY	INTEREST	TOTAL REV. TAX & REG.
69-70	2,135	\$105,058	\$10,876			\$160,930
70-71	2,499	\$160,731	\$12,248			\$172,979
71-72	2,945	\$210,202	\$15,238			\$225,440
72-73	3,283	\$239,821	\$16,308			\$256,129
73-74	3,463	\$424,776	\$18,641			\$443,417
74-75	3,487	\$468,546	\$19,590			\$448,136
75-76	4,073	\$511,330	\$19,585			\$530,915
76-77	4,372	\$699,569	\$22,213	\$15,510	\$2,864	\$740,156
77-78	5,131	\$941,568	\$23,129	\$9,295	\$1,668	\$980,791
78-79	5,289	\$1,264,776	\$24,972	\$10,800	\$1,409	\$1,301,957
79-80	5,403	\$1,608,107	\$26,156	\$19,372	\$5,123	\$1,658,757
80-81	5,846	\$1,851,033	\$27,460	\$18,662	\$8,374	\$1,905,649
81-82	6,009	\$1,904,154	\$27,276	\$19,764	\$9,210	\$1,960,405
82-83	6,062	\$1,949,822	\$28,210	\$25,807	\$15,267	\$2,019,106
83-84	6,000	\$2,194,838	\$29,138	\$24,268	\$16,311	\$2,264,555
84-85	6,159	\$2,521,643	\$29,200	\$21,900	\$16,892	\$2,589,635
85-86	6,162	\$2,567,490	\$30,116	\$21,940	\$10,285	\$2,597,606
86-87 ⁽²⁾	6,150	\$1,297,328	\$28,650	\$19,265	\$10,144	\$1,355,387
87-88	6,133	\$1,162,980	\$27,500	\$20,894	\$10,662	\$1,222,036
88-89	5,969	\$1,121,900	\$26,100	\$13,500	\$9,700	\$1,171,200
89-90 ⁽³⁾	5,754	\$1,288,750	\$24,750	\$18,060	\$8,451	\$1,340,012
90-91	5,670	\$1,374,723	\$27,280	\$14,175	\$5,959	\$1,422,137
91-92 ⁽⁴⁾	5,291	\$1,404,933	\$26,285	\$15,740	\$773	\$1,447,731
92-93	5,258	\$1,429,867	\$25,275	\$19,655	\$190	\$1,474,989
93-94	5,341	\$1,473,081	\$26,420	\$23,345	\$60	\$1,522,906
94-95	5,212	\$1,517,470	\$24,665	\$18,835	\$155	\$1,561,125
95-96	5,104	\$1,793,314	\$25,395	\$22,560	\$46	\$1,841,315
96-97	5,347	\$1,852,090	\$28,215	\$32,930		\$1,913,235
97-98	5,538	\$2,066,492	\$30,360	\$33,175		\$2,130,027

(1) Calendar Year Data

(2) Decrease in revenue reflects tax reform legislation cutting tax rate in half.

(3) As a result of new legislation requiring stored aircraft to pay a fee, the total number of registered aircraft has decreased due to owners having aircraft deregistered with the FAA, voiding the requirement to register with the State.

(4) As a result of new legislation the penalty fee was revised and interest was eliminated.

Source: Aeronautics Division, Arizona Department of Transportation
Unaudited Financial Records

Table 6

HISTORICAL AVIATION FUEL TAX DATA

<u>FISCAL YEAR</u>	<u>GALLONS OF FUEL</u>	<u>1¢/GAL AVIATION FUEL TAX</u>	<u>5¢/GAL AVIATION FUEL TAX</u>	<u>UNCLAIMED/ UNREFUNDED AV FUEL TAX</u>	<u>TOTAL FUEL TAX REVENUE</u>
69-70	5,331,384	\$34,528		\$105,996	\$140,524
70-71	5,818,298	\$59,367		\$110,462	\$169,829
71-72	6,144,510	\$60,307		\$107,932	\$168,239
72-73	5,885,395	\$59,395		\$126,475	\$186,870
73-74	6,444,930	\$64,207		\$130,815	\$195,022
74-75	6,871,623	\$69,781		\$143,084	\$212,865
75-76	7,075,481	\$68,343		\$174,982	\$243,325
76-77	9,577,534	\$72,506		\$186,152	\$258,658
77-78	9,541,147	\$69,926		\$213,890	\$283,816
78-79	8,159,000	\$85,159		\$254,113	\$339,272
79-80	9,054,499	\$90,545		\$252,089	\$342,634
80-81	12,453,322	\$124,533		\$317,742	\$442,275
81-82	11,228,545	\$112,285		\$268,315	\$380,600
82-83	8,482,597	\$84,826		\$229,812	\$314,638
83-84	8,227,983	\$82,279		\$284,747	\$367,026
84-85	7,637,721	\$76,377		\$305,734	\$382,111
85-86	6,471,370	\$64,714		\$336,316	\$401,030
86-87 ⁽¹⁾	8,202,591	\$11,900	\$350,629	\$81,779	\$444,308
87-88 ⁽²⁾	8,929,382		\$306,774		\$306,774
88-89	10,276,177		\$502,765		\$502,765
89-90	10,610,226		\$530,511		\$530,511
90-91	11,033,960		\$551,698		\$551,698
91-92	10,061,760		\$503,088		\$503,088
92-93 ⁽³⁾	7,934,660		\$396,733		\$396,733
93-94	13,815,040		\$690,752		\$690,752
94-95	8,859,600		\$442,980		\$442,980
95-96	10,246,566		\$512,328		\$512,328
96-97	10,293,740		\$514,687		\$514,687
97-98	9,706,660		\$485,333		\$485,333

(1) As of August 13, 1986 - AvGas Tax was increased from 0.01¢ per gallon to 0.05¢ per gallon.

(2) As of August 18, 1987 - AvGas Refunds were eliminated except for aerial applicators.

(3) An additional \$151,541 was collected in fiscal year 1992-93, however, it was credited to the fiscal year 1993-94 numbers.

Table 7

AVIATION SAFETY AND EDUCATION

The Division's Aviation Safety and Education Section is responsible for:

- The dissemination of aviation information
- Aviation safety programs
- Aviation/aerospace education programs
- The monitoring of aviation rulemaking and regulations
- The analysis of proposed airspace changes

Aviation Information

The Aviation Safety and Education staff monitors regulatory proceedings and reviews federal proposed rulemaking notices, press releases, magazines, newsletters and journals to stay in touch with aviation safety, regulatory, and industry developments that affect Arizona. Many of these source materials are organized and retained in an aviation reference library. Regulatory and navigation data are kept current and available.

The section receives a large number of calls, letters, and other contacts from the general public, governmental entities and aviation interests each year requesting various types of aviation-related information. Information is provided on the spot, research is initiated, and referrals are made to other sources having additional specific knowledge or expertise.

Aviation/Aerospace Education

During FY 1997-98, the Aviation Safety and Education Section supported the annual International Aviation Art Contest sponsored by the National Aeronautic Association, NASAO, and the FAA. Approximately 450 Arizona school children participated in the contest. 1998's theme for the contest was "Air Sports in the Olympics".

Aviation Safety

Aviation safety efforts during 1997-98 centered primarily on assisting with the FAA 5010 Airport Safety Inspection Program; and research and analysis of proposed airspace changes.

Additional Activities

The Aeronautics Division, through the Aviation Safety and Education Section maintains close contact with members of aviation organizations, as well as with the general public. The Aviation Safety and Education Section also has the role of acting as an information resource for the other sections of the Division.

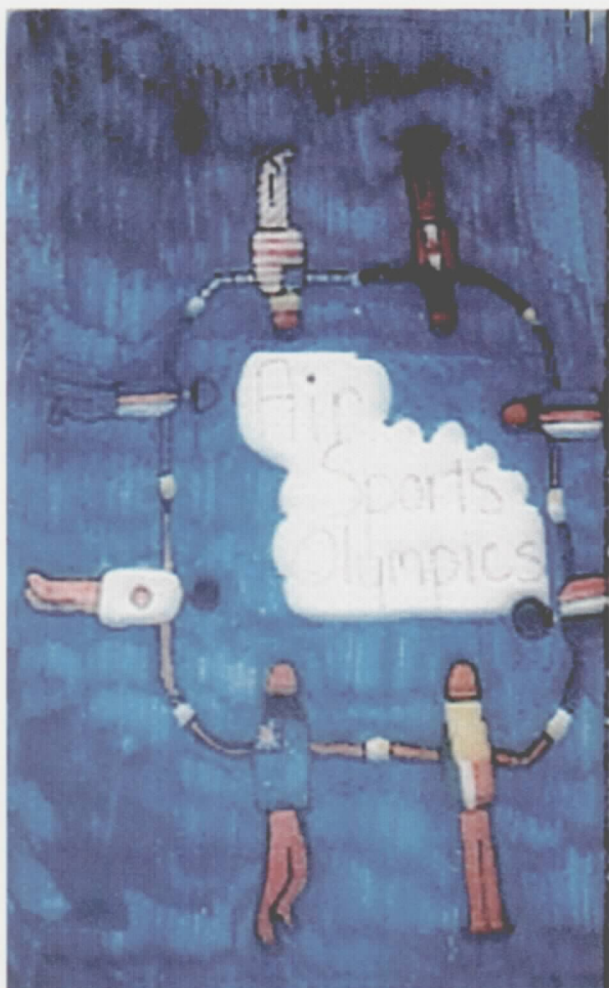


Publications

The Annual Progress Report is a report of the activities of the Aeronautics Division over the preceding fiscal year. It is updated annually.

Helicopter Facts is a pamphlet providing basic information about helicopters and how they fly. The pamphlet was designed as an educational tool for use during helicopter displays, and is provided on request.

Bald Eagle Nesting Sites brochure designed to provide pilots with the most specific and current information available on sensitive bald eagle nest areas in Arizona. This brochure was produced in cooperation between the Arizona Department of Transportation and the Arizona Department of Game and Fish. The brochure was updated this past year.



Arizona Aviation Facts is a one-page reference on general aviation in Arizona. The fact sheet contains information on the number of pilots, aircraft, airports, and nav aids. Arizona Aviation Facts is updated annually.

Desert Survival Guide is a pamphlet outlining various desert survival principles, including specific techniques in survival situations. This pamphlet was revised and updated this past fiscal year.

Other Available Publications

NASAO State Aviation Data Bank (National Association of State Aviation Officials) is a report containing information on the State Aviation Departments/Divisions outlining their staff, organization, programs, publications, number of airports, and funding information including various revenue sources and grant programs.

Water Landing Directory is a directory of water landing areas throughout the United States with information on location, communications and facilities.

Arizona Transportation Fact Book is a pamphlet containing information on Arizona's transportation infrastructure including demographics, the highway system, motor vehicles, and statistics, finance, expressways and freeways, public transit, rail, and aviation.